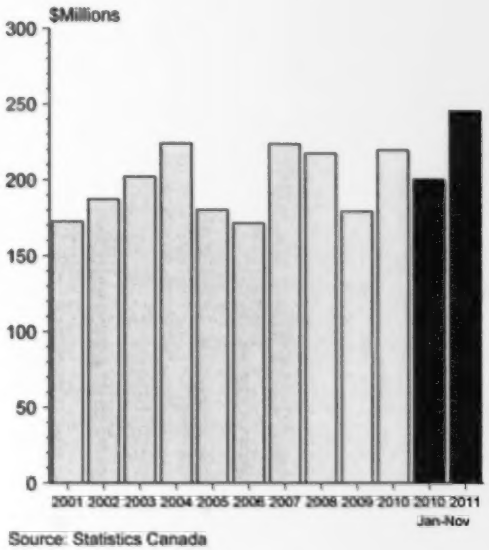
Trade with Down Under Looking Up

By Dan Schrier

After dropping 17.6% between 2008 and 2009 in the midst of the global economic downturn, BC's commodity exports to Australia recovered in 2010, climbing 22.5%, and have continued to grow in 2011, rising another 22.5% year-to-date to November. In fact, BC is poised to post its highest value of exports to Australia since 1995.

BC's commodity exports to Australia have experienced strong growth in the last two years



Source: Statistics Canada

A big reason for the decline in shipments between 2008 and 2009 was a 36.9% drop in exports of lumber. While there has been no recovery in BC's lumber shipments to Australia, other forest products have been contributors to the overall turnaround. For example, pulp has overtaken lumber as BC's top export to Australia. Approximately $33.2 million worth of pulp was exported from BC to Australia in 2010, representing growth of 11.1% over the value shipped in 2009. There has also been substantial growth in shipments of plywood and veneer, from virtually none in 2009 to $5.4 million worth in 2010 and more than doubling again in 2011. In addition, there has been a considerable jump in exports of paper products to Australia.

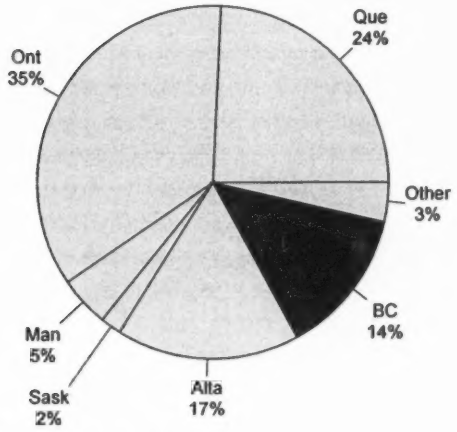
Another significant contributor to the drop in exports between 2008 and 2009 was sulphur, which saw shipments plunge 69.5%. There was a further drop in value of exports of this good in 2010, but in 2011, shipments have more than recovered with the value shipped year-to-date already more than triple that recorded in 2008. In fact, the increase in shipments of sulphur has been responsible for almost 66% of growth in exports to Australia year-to-date in 2011.

Parts and accessories of motor vehicles are another top export from BC to Australia. In 2010, shipments of these goods almost doubled (+90.7%), although year-to-date in 2011, exports have dipped considerably (-20.4%). Given that Australians drive on the left side of the road, such that vehicles in that country are right-hand drive, there are limited opportunities for Canadian automobile exporters in that market.

Within Canada, BC ranked fourth among the provinces with 14% of Canadian commodity exports to Australia originating in British Columbia in 2010. Ontario (35%), Quebec (24%) and Alberta (17%) all ranked ahead of BC as a source of exports to Australia. The top exports from Ontario are related mainly to transportation, including rail locomotives, aircraft and motor vehicles. Quebec also is a source of aircraft exports to Australia and pork products are another significant export from that province.

Sulphur is the top export from Alberta to Australia and parts for industrial machinery, particularly related to the mining industry, are also noteworthy exports.

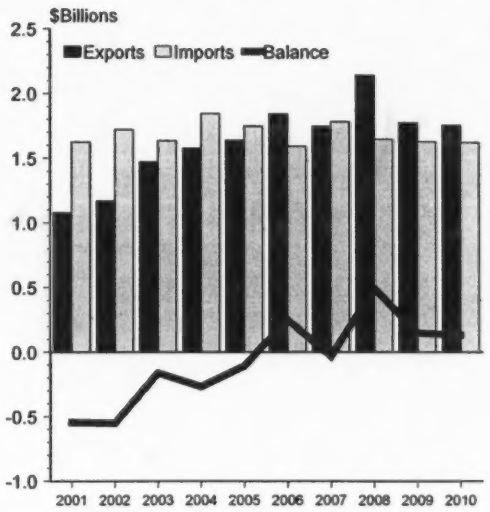
BC ranked fourth among the provinces in commodity exports to Australia in 2010



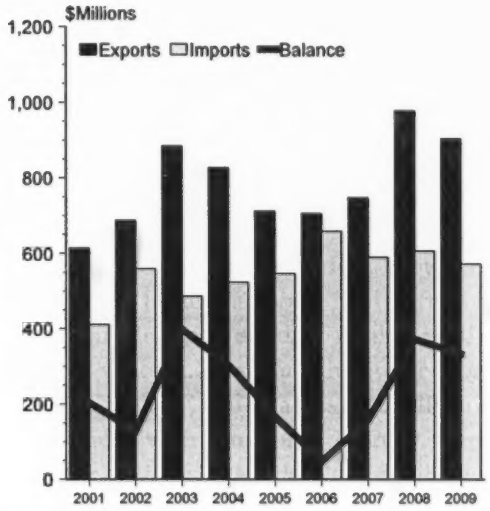
Source: Statistics Canada

Overall, total Canadian exports to Australia have not had the same recovery from the 2009 slump that BC shipments have seen. In fact, there was a slight decline in exports between 2009 and 2010 and growth year-to-date to November 2011 has been modest. However, the balance of trade in goods has shifted into a slight surplus in Canada's favour in the last several years (i.e., exports have exceeded imports). Similarly, Canada has a surplus in trade in services with Australia. In 2009, the latest year for which service data are available, Canada exported $903 million worth of services to Australia and imported $571 million, resulting in a trade surplus of approximately $333 million.

Canada has a surplus in trade in goods with Australia...



...and also a surplus in trade in services



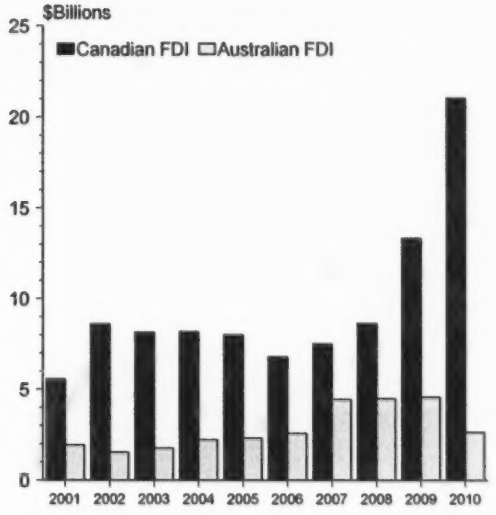
Source: Statistics Canada

Canada's trade with Australia is relatively small when compared with Canada's larger trading partners, such as the United States or the European Union, for example. Some of the reasons why the trade relationship is not larger include the geographical distance between the

two countries, as well as the similarity in the types of goods produced. Both countries are export-oriented and some of Australia's top exports (coal, ores, beef) are also among Canada's top exports, such that Australia is as much a competitor as a partner in trade.

However, these similarities also present an opportunity for Canadian investors and a significant portion of Canadian direct foreign investment is directed toward Australia. In 2010, Canadians invested over $21 billion in Australia, which amounted to just over 3% of total Canadian direct investment abroad. There was substantially less investment by Australians in Canada, at only $2.6 billion.

Canadian foreign direct investment in Australia far exceeds Australian investment in Canada



Source: Statistics Canada

Australia may not be among the top ten destinations for exports for either BC or Canada as a whole, but it remains an important trading partner and there is room to expand trade. For British Columbia, the growth in exports in the last couple of years is a positive sign that Australia is still a key destination for BC products.